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JACK ANDERSON

Palestinian Holds Contract For U.S. Arms

The exclusive contract for shipping U.S. arms to Egypt is held by a company that was founded by a Palestinian and may still be controlled by him.

Egyptian sources say they are "100 percent certain" that some of the U.S. munitions were diverted to Palestinian groups and other elements opposed to assassinated Egyptian President Anwar Sadat.

What makes the situation all the more startling is the involvement of cabinet ministers and other high Egyptian officials in the secret contract manipulations. Amazingly, the arms shipment contract wound up with the Palestinian, an itinerant merchant named Ali el Shorafa.

My associates Dale Van Atta and Indy Badhwar have identified several Egyptian big shots who have been actively associated with the back-room deal. These include Brig. Gen. Mounir Sabet, chief of military procurement for Egypt and brother-in-law of Vice President Hosni Mubarak; Kamal Hassan Ali, deputy premier and foreign minister, and Defense Minister Abu Ghazala.

The American connection was Thomas Clines, a former deputy chief of covert operations in the CIA. He is also a close friend of Edwin Wilson, the renegade ex-CIA agent who jumped bail after indictment for smuggling munitions to Libyan dictator Muammar Qaddafi. Wilson has been identified as one of those working behind the scenes to get the arms-shipping contract for the Palestinian firm.

Pentagon, CIA and industry sources describe the Egyptian arms deal as one of the most suspicious they've ever seen. Here's why:

Part of the Camp David peace accords signed in March, 1979, provided for billions of dollars in American arms shipments to Egypt. Legitimate American and Egyptian businessmen eagerly went after the lucrative shipping contract.

In April, 1979, these businessmen suspected that an exclusive contract had already been awarded to a little-known company called Tersam. Two secret letters I've obtained show that they were correct.

At the time, Tersam was little more than offices in Geneva and Washington. It had no experience in shipping. The front man in Egypt was an Egyptian intelligence officer named Hussan Salem; ex-CIA official Clines was the man in Washington. But the silent partner and financial backer was Ali Shorafa.

It wasn't till Shorafa hooked up with Salem that his fortunes dramatically improved. Salem brought in the high officials of the Sadat regime, and Shorafa's dark-horse company won the race for the arms shipment contract.

One thing is clear: the Pentagon didn't know Tersam's background, didn't trust the company and refused to let it ship anything for eight months.

The matter came to a head when then-president Carter and Sadat agreed that some early, visible military support from the United States was essential. They settled on some hardware that would be part of the annual Oct. 6 military parade, the same event that was chosen by Sadat's assassins two years later.

"There's no way we were going to jeopardize the Oct. 6 parade shipments by passing them to that company," said a Pentagon official. So the Defense Department handled the first eight months of arms shipments itself.

Meanwhile, the Defense Intelligence Agency and some honest Egyptian officials were checking into Tersam's credentials. It was soon clear that the company was not qualified to handle the arms shipments.

Tersam solved this problem by subcontracting with legitimate shippers and changing its name to Egyptian American Transport and Services Corp. Clines became 49 percent owner of Tersam's new incarnation. But the predecessor company owns the other 51 percent and sources believe Shorafa, the Palestinian exile, still owns most of that.

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